

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 23 November 2018

IHS Markit Flash Eurozone PMI[®]

Eurozone business growth hits near four-year low

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.4 (53.1 in October). 47-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 53.1 (53.7 in October). 25-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 50.4 (51.3 in October). 65-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 51.5 (52.0 in October). 30-month low.

Data collected November 12-22

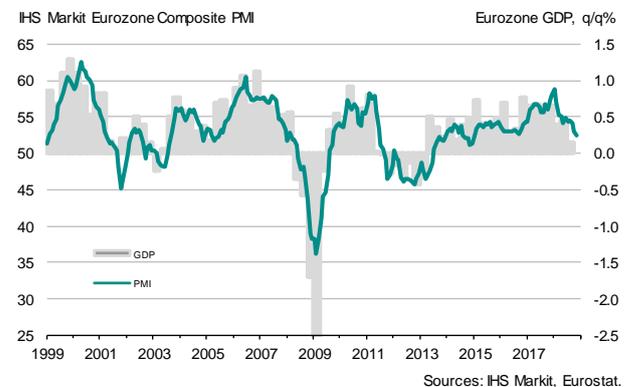
Business activity in the euro area grew at its weakest rate in nearly four years during November, according to the latest PMI survey data. Slower order book growth and falling exports were accompanied by deteriorating optimism about the outlook, as well as rising costs and prices.

According to the flash reading (which is based on approximately 85% of usual monthly replies), the IHS Markit Eurozone Composite PMI[®] fell from 53.1 in October to 52.4 in November. The latest reading was the lowest since December 2014.

The weaker rise in business activity was fuelled by a slowdown in new business inflows to the lowest since the start of 2015, which was in turn linked to a second successive monthly fall in new export orders across the manufacturing and service sectors. The drop in exports was the largest seen in the four-year history of this new survey indicator, published for the first time this month.

The slowdown in business activity growth was again most pronounced in manufacturing, where output rose only marginally. The rise in factory output was the weakest since the recovery in production began in July 2013. Production growth came to a near-standstill in response to second successive monthly falls in factory orders and exports.

IHS Markit Eurozone PMI and GDP



Manufacturers commonly blamed slower growth on subdued global demand, rising political and economic uncertainty, trade wars and especially sluggish car sales.

Service sector growth remained more resilient by comparison to the goods-producing sector, with sales often reportedly buoyed by strong labour markets in some countries, linked in turn to higher consumer spending. However, November brought further signs that the slowdown is broadening out beyond manufacturing, as even the rate of service sector expansion waned to the lowest for just over two years. Service sector new business inflows hit a 25-month low and export orders fell to the greatest extent for almost two years.

The slower order book inflows meant backlogs of work rose only marginally across the eurozone in November, registering the smallest gain for over two years in a sign of diminishing capacity constraints.

Employment growth meanwhile slowed in both sectors, dropping to a 22-month low overall as firms scaled-back expansion plans in line with the recent waning of order book growth and gloomier

prospects. Expectations of growth in the coming year sank to a four-year low.

While growth slowed, price pressures remained elevated. Input cost inflation eased only very marginally to remain slightly higher than the average recorded so far this year, attributed mainly to higher energy, raw material and staff costs. Although some signs of a further cooling of input price pressures from recent highly-elevated levels was evident in manufacturing, service sector cost inflation accelerated to one of the highest rates seen over the past seven years.

Output price inflation meanwhile remained elevated and unchanged on October, albeit down from highs earlier in the year. While companies often cited the need to pass higher costs on to customers, intense competition often limited their pricing power. Factory gate prices showed one of the smallest increases over the past year as a result. However, service sector selling price inflation remained unchanged for a second straight month, with charges once again rising at one of the strongest rates seen since the global financial crisis.

Within the eurozone, **Germany** was again a key area of concern, with business activity growth slowing to a near four-year low. A near-stagnation in manufacturing output was the weakest performance since April 2013. The German service sector proved more resilient, though still reported the weakest expansion for six months.

Growth held up better in **France**, outperforming Germany for the second straight month. That said, although growth eased only marginally in November, the rise in output was nonetheless the joint-lowest since December 2016. Factory output fell for a second consecutive month, offset by robust (but marginally weakened) growth in the service sector.

Especially sluggish growth was meanwhile recorded across the **rest of the single-currency area**, where the rate of expansion was the slowest since November 2013, easing in both sectors to register only modest expansions.

Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

“The cooling of Eurozone business growth to a four-year low adds to signs that the economy faces a disappointing end of the year.

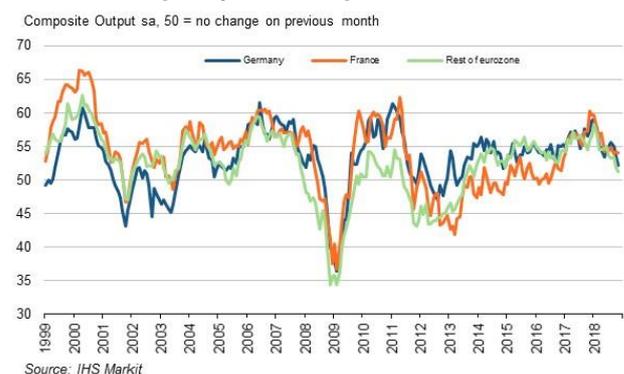
“Manufacturing remains the main area of weakness, linked in part to having been hit hard once again by deteriorating exports. The slowdown is also being temporarily exacerbated by persistent disappointing car sales. However, November also brought further signs that the manufacturing-led slowdown is spilling over to services, as consumer and corporate demand was often reported to have weakened in the face of headwinds such as rising political uncertainty, tighter financial conditions and higher prices.

“As such, the survey data suggest that the weakness of GDP in the third quarter may not have been a blip, and that the underlying trend is one of slower economic growth. The PMI readings so far in the fourth quarter are indicative of 0.3% GDP growth, with forward-looking indicators such as new orders and future expectations remaining worryingly subdued.

“Although the elevated levels of the survey price gauges will give some encouragement to the ECB in relation to firmer inflationary pressures, the disappointing business activity readings will add to concerns that risks to the growth outlook have become increasingly skewed to the downside.”

-Ends-

Core v. Periphery PMI Output Indices



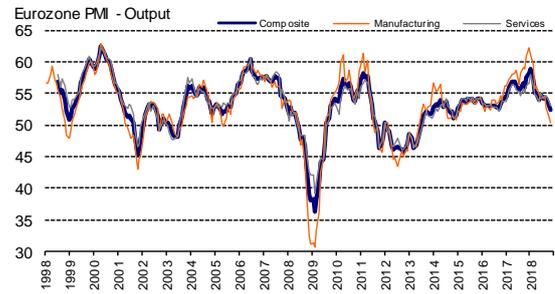
Core v. Periphery PMI Employment Indices



Summary of November data

Output	Composite	Slowest rise in output for almost four years.
	Services	Growth of services activity eases further.
	Manufacturing	Manufacturing output up only marginally.
New Orders	Composite	New order growth slows to 46-month low.
	Services	Weakest rise in new business for over two years.
	Manufacturing	New orders decrease for second month running.
Backlogs of Work	Composite	Marginal accumulation of backlogs.
	Services	Rate of increase at 22-month low.
	Manufacturing	Sharpest fall in work-in-hand since January 2015.
Employment	Composite	Slowest increase in employment since January 2017.
	Services	Solid, but reduced, rate of job creation.
	Manufacturing	Employment growth at 26-month low.
Input Prices	Composite	Further marked rise in input costs.
	Services	Rate of input price inflation ticks up.
	Manufacturing	Slower increase in input costs.
Output Prices	Composite	Charge inflation unchanged from October.
	Services	Output prices continue to rise solidly.
	Manufacturing	Slightly faster increase in output prices.
PMI⁽⁹⁾	Manufacturing	PMI at 30-month low of 51.5.

Output



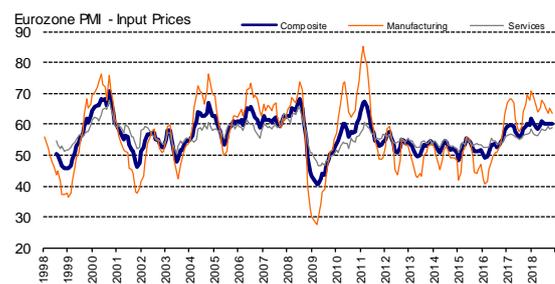
New business



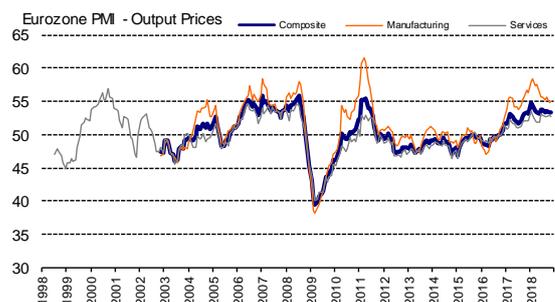
Employment



Input prices



Output prices



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Note to Editors:

Final November data are published on 3 December for manufacturing and 5 December for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* data.

The average differences between the flash and final *PMI* index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Eurozone Composite Output Index ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.1
Eurozone Services Business Activity Index ²	0.0	0.3

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI*[®] surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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About PMI

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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